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American Legion
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Association of the United
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Disabled American
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Fleet Reserve Association
Iraq & Afghanistan Veterans
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U.S., Inc.
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World Wars
Navy Mutual Aid Association
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Reserve Organization of
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Roanoke Valley Veterans
Council
Veterans of Foreign Wars
Vietnam Veterans of America
Virginia Army/Air National
Guard Enlisted
Association
Virginia National Guard
Association*

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COMMONWEALTH OF VIRGINIA JOINT LEADERSHIP COUNCIL OF VETERANS SERVICE ORGANIZATIONS

Position Paper 2022-07

Virginia National Guard Income Tax Exemption

OBJECTIVE: To adjust Virginia's income tax exemption for Virginia National Guard members from \$3,000 to \$5,000.

BACKGROUND:

- Virginia exempts the first \$3,000 of National Guard pay from State Income Taxes.
- The benefit applies to all enlisted pay grades (E1-E9), warrant officer pay grades (W1-W5) and for officer pay grades of O1-O3.
- The current exemption of \$3,000 has been in place since 1994. If this benefit were indexed to inflation the amount would now equal \$4,800.
- As of June 30, 2021, there were 8,671 members for the Virginia Army National Guard (7,152 Soldiers) and the Virginia Air National Guard (1,519 Airmen).

DISCUSSION:

- The Virginia National Guard consistently competes with neighboring states to retain and maintain our National Guard forces. Virginia also competes with the Active Duty forces for many of the qualified recruits in the state.
- The role and requirements for the Virginia National Guard have steadily increased in the last 20 years, resulting in the Commonwealth's greatest operations temp since the Second World War for our National Guard forces.
- Increasing the exemption from \$3,000 to \$5,000 will help with recruiting and retention and will recognize the service of Virginia's citizen-soldiers to our Commonwealth.
- Further adjustments should be made every five years to keep up with inflation.
- There will be a fiscal impact (foregone state taxes) of this proposal, but the costs should be relatively low, and will be more than offset by maintaining a strong Virginia National Guard, ready to respond to respond during pandemics, natural disasters, and other emergencies.

RECOMMENDATION: That the Governor and General Assembly increase the amount of income excluded from State Income Tax from \$3,000 to \$5,000, and that this amount be adjusted every five years to account for inflation.